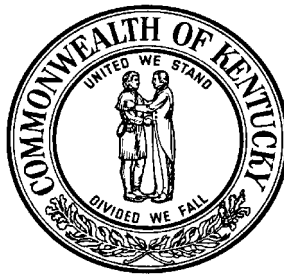


**REPORT OF THE AUDIT OF THE
FORMER BOYLE COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES**

January 5, 2003



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
FORMER BOYLE COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES

January 5, 2003

The Auditor of Public Accounts has completed the audit of the former Boyle County Sheriff's Settlement - 2002 Taxes as of January 5, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The former Sheriff collected taxes of \$10,648,922 for the districts for 2002 taxes, retaining commissions of \$326,988 to operate the Sheriff's office. The former Sheriff distributed taxes of \$10,293,948 to the districts for 2002 Taxes.

Deposits:

The former Sheriff's deposits were insured and collateralized by bank securities or bonds.

Comment:

- The Former Sheriff Should Eliminate The \$2,578 Deficit In His Tax Account

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Tony W. Wilder, Boyle County Judge/Executive

Honorable Karl Luttrell, Former Boyle County Sheriff

Honorable Michael Hardin, Boyle County Sheriff

Members of the Boyle County Fiscal Court

Independent Auditor's Report

We have audited the former Boyle County Sheriff's Settlement - 2002 Taxes as of January 5, 2003. This tax settlement is the responsibility of the former Boyle County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the former Boyle County Sheriff's taxes charged, credited, and paid as of January 5, 2003, in conformity with the modified cash basis of accounting.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



To the People of Kentucky
Honorable Paul E. Patton, Governor
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Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tony W. Wilder, Boyle County Judge/Executive
Honorable Karl Luttrell, Former Boyle County Sheriff
Honorable Michael Hardin, Boyle County Sheriff
Members of the Boyle County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 16, 2003, on our consideration of the former Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Former Sheriff Should Eliminate The \$2,578 Deficit In His Tax Account

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 16, 2003

BOYLE COUNTY
KARL LUTTRELL, FORMER COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES

January 5, 2003

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 567,785	\$ 1,204,155	\$ 5,884,638	\$ 1,506,322
Tangible Personal Property	95,196	193,402	734,720	645,267
Intangible Personal Property				203,969
Fire Protection		301		
Taxes Increased Through Erroneous Assessments	70	107	628	65
Franchise Corporation	48,509	134,168	423,452	
Additional Billings	260	576	2,852	1,124
Limestone, Sand, and Mineral Reserves	68	103	828	180
Inventory in Transit		14,047		
Adjusted to Sheriff's Receipt	(2)	24	(3)	5
Gross Chargeable to Sheriff	<u>\$ 711,886</u>	<u>\$ 1,546,883</u>	<u>\$ 7,047,115</u>	<u>\$ 2,356,932</u>
<u>Credits</u>				
Exonerations	\$ 2,788	\$ 8,867	\$ 26,059	\$ 8,742
Discounts	10,646	22,696	105,835	38,322
Official Receipt for Incoming Sheriff	<u>48,480</u>	<u>100,727</u>	<u>503,896</u>	<u>136,835</u>
Total Credits	<u>\$ 61,914</u>	<u>\$ 132,290</u>	<u>\$ 635,790</u>	<u>\$ 183,899</u>
Taxes Collected	\$ 649,972	\$ 1,414,593	\$ 6,411,325	\$ 2,173,033
Less: Commissions a)	<u>27,911</u>	<u>46,440</u>	<u>160,283</u>	<u>92,641</u>
Taxes Due	\$ 622,061	\$ 1,368,153	\$ 6,251,042	\$ 2,080,392
Taxes Paid	620,192	1,365,025	6,233,374	2,075,357
Refunds (Current and Prior Year)	<u>2,156</u>	<u>3,129</u>	<u>17,639</u>	<u>5,035</u>
Due Districts or (Refunds Due Sheriff)		b)	c)	
as of Completion of Fieldwork	<u>\$ (287)</u>	<u>\$ (1)</u>	<u>\$ 29</u>	<u>\$ 0</u>

a), b), and c) see next page.

The accompanying notes are an integral part of the financial statement.

BOYLE COUNTY
 KARL LUTTRELL, FORMER COUNTY SHERIFF
 SHERIFF'S SETTLEMENT - 2002 TAXES
 January 5, 2003
 (Continued)

a) Commissions:

10% on	\$	10,000
4.25% on	\$	3,806,663
2.5% on	\$	6,411,325
1% on	\$	420,935

b) Special Taxing Districts:

Fire District	\$	(1)
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Due Districts or (Refunds Due Sheriff)	\$	(1)
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c) School Districts

Common School District	\$	(2)
Independent School District		31

Due Districts or (Refunds Due Sheriff)	\$	29
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BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS

January 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of January 5, 2003, the former Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former Sheriff's agent in the former Sheriff's name, or provided surety bond which named the former Sheriff as beneficiary/obligee on the bond.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
January 5, 2003
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 10, 2002 through January 5, 2003.

Note 4. Interest Income

The former Boyle County Sheriff earned \$7,984 as interest income on 2002 taxes. As of April 16, 2003, the former Sheriff owes \$ 305 in interest to the common school district and \$329 to the graded school district. The former Sheriff owes \$86 in interest to his fee account.

Note 5. Deficit Balance

Based on available records, there is a \$ 2,578 deficit in the former Sheriff's official tax account. This deficit results from uncollected returned checks, non-sufficient fund fees, and overdraft fees. A Schedule of Excess of Liabilities Over Assets is included in this report as a supplemental schedule.

BOYLE COUNTY
KARL LUTTRELL, FORMER COUNTY SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

January 5, 2003

Assets

Cash in Bank (All Tax Accounts)	\$ 6,709,369
Deposits in Transit	692,756
Receivables	<u>316,168</u>
Total Assets	<u>\$ 7,718,293</u>

Liabilities

Paid Obligations-	
Outstanding Checks	\$ 6,165,949

Unpaid Obligations-

Liabilities as of January 5, 2003	\$ 1,554,202
Interest Due Common School	305
Interest Due Independent School	329
Interest Due Fee Account	<u>86</u>
Total Unpaid Obligations	<u>1,554,922</u>
Total Liabilities	<u>\$ 7,720,871</u>
Total Fund Deficit as of January 5, 2003	<u><u>\$ (2,578)</u></u>

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COMMENT AND RECOMMENDATION

BOYLE COUNTY
KARL LUTTRELL, FORMER COUNTY SHERIFF
COMMENT AND RECOMMENDATION

As of January 5, 2003

STATE LAWS AND REGULATIONS:

The Former Sheriff Should Eliminate The \$2,578 In His Tax Account

Based on available records, there is a \$2,578 deficit in the former Sheriff's official tax account. This deficit results from uncollected returned checks, non-sufficient fund fees, and overdraft fees of the tax account. A Schedule of Excess of Liabilities Over Assets is included in this report as a supplemental schedule. We recommend that former Sheriff Luttrell remit \$2,578 of personal funds to eliminate this deficit.

Former Sheriff's Response:

Sheriff and fiscal court will pursue options to relieve deficit.

Auditor's Reply:

Subsequent to the audit date, all but \$300 of the returned checks have been collected and the remainder of the deficit has been eliminated by the deposit of personal funds. No further action by the former Sheriff is necessary.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Boyle County Sheriff's Settlement - 2002 Taxes as of January 5, 2003, and have issued our report thereon dated April 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Boyle County Sheriff's Settlement -2002 Taxes as of January 5, 2003 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards, and which is described in the accompanying comment and recommendation:

- The Former Sheriff Should Eliminate The \$2,578 Deficit In His Tax Account

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Boyle County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 16, 2003

